McBork Report | Q4 | November 18, 2022

I hope you are all enjoying this fall season. With the election season mostly behind us, I have found a new appreciation for non-political commercials. My main takeaway from the election results is that we will have a mixed government, which I view as market-friendly overall. At a high level, the outcome was probably already priced in, which explains the ho-hum market impact over the last week or so. The biggest implication of Democrats holding the Senate would be on the regulatory front, as it will be easier for Democrats to confirm nominees with a stronger regulatory stance. The Republican controlled House will likely take any potential tax hikes off the table, including taxes on corporate buybacks and it is unlikely we will see any fiscal spending. In addition, the GOP can control the regulatory agenda with most likely positive implications for financials, energy, and healthcare.

Now that the mid-terms are mostly in the rearview mirror all eyes are now on inflation data- so far so good. Last week's CPI numbers showed that most likely inflation has peaked, and thus we saw the biggest one-day gain for the S&P 500 Index since April 2020 and the NASDAQs third best day in the last fifteen years. The Dow Jones Industrial average is now down only 6.9% for 2022 while the S&P 500 Index is down 16.2% for the year.

With inflation most likely already peaking, the debate between value and growth stocks is heating up. The growth vs. value debate has been pretty one-sided in 2022, with value outperforming growth for a sustained period for the first time in almost 15 years. From a technical lens, value's performance appears to have near-term support, while growth has rolled over at resistance. However, the pendulum might start swinging back towards growth if inflation and interest rates decline in 2023. This is why I feel that we should be diversified in both.

It has been a very miserable year for the Bond markets. In fact, the worst one that I have witnessed in the twenty-five years that I have been an advisor. The Barclays Aggregate Bond Index is down 14% this year. There has been a glimmer of hope recently with the Index up 1.5% over the last month, and if we are to see interest rates start to decline in 2023, we could see a very nice year for fixed income investments.

Some year-end household financial reminders:

(1) If you are over 72 and have retirement plan assets or IRA accounts, you will need to take your **RMD (required minimum distribution)** by the end of the year. If you have not done so yet or are unsure, please get in touch with us as soon as possible. Also, please remember that you can "gift" your RMD or part of your RMD to a charity.

(2) At the end of each year many clients make **gifts of appreciated assets** to charitable organizations from their non-retirement accounts. The charity receives the same benefit as they would have obtained if you were to have written a check, but you avoid paying the capital gains tax on the appreciated asset. Please let us know **by December 9th** if you wish to gift appreciated assets in 2022 or if you have any questions about gifting.

(3) Remember that **Traditional and Roth IRA** contributions may still make sense. While there are income limits on the amount that you can contribute, as well as limits on participation for participants in employer-sponsored plans, many individuals are wise to do so before the April 15, 2023 deadline for 2022 tax year contributions. For example, some individuals over 50 may place up to $7,000 into Traditional or Roth IRA while the comparable limits for individuals under 50 is $6,000. Please call if you would like to discuss the advisability of making IRA or Roth contributions.

(4) Because the stock market is down this year, there is a good chance that you will have less reportable investment income this year. Due to both of these events, it might make sense for those that have a SEP, IRA, or a Rollover IRA to speak to your accountant to see if a **Roth Conversion** might make sense for you this year.

(5) **For 2023,** the IRS has increased the contribution limits to **IRAs and Roth IRAs** from $6,000 to $6,500**.** They also increased the contribution limits to **401k and 403b plans** by $2,000 from $20,500 to $22,500. The age 50 catch-up contribution limit also increased. It is now $1,000 higher and sits at $7,500. So, if you are over 50, you now can now make up to $30,000 in salary deferrals.   **SIMPLE IRA** plans also increased its contribution by $1,500 to $15,500 and also increased the age 50 catch-up contribution from $3,000 to $3,500. So for those that have a SIMPLE IRA plan and are over 50, you can max out at $19,000.

(6) Because interest rates have gone up this year, in some situations, it might make sense to look at placing money in a savings, checking, or money market in a **CD or I Bonds**. I have spoken about I Bonds throughout the year, and I still think they make sense. Current one year CD rates are north of 4%. Please remember that you still want to make sure you have ample money available in your Emergency Fund and One-time Large Expense Buckets before you stick your money into these types of risk-free investments.

(7) Estate Planning –With possibly having a few days off during the holiday season, it might make sense to dust off old **Wills, Powers of Attorney (POA), and/or Trusts** and review them to make sure nothing should be changed. If you do not have a will or POA, please let us know and we can talk to you about this.

(8) Quick reminder to those of you with **high school/college students or young adults** in your life itching to learn more about the world of money and investment: We are happy to set up a video conference meeting with your children and grandchildren to offer them "Investments 101." Winter break provides a great opportunity for such a briefing. Just give us a call and we will make the connection.

Take care, be well, and have a wonderful holiday season.

Sincerely,

Gregory Bork Jr.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly Investing involves risk including loss of principal. No strategy assures success or protects against loss. The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. This information is not intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal advisor. Traditional IRA account owners have considerations to make before performing a Roth IRA conversion. These primarily include income tax consequences on the converted amount in the year of conversion, withdrawal limitations from a Roth IRA, and income limitations for future contributions to a Roth IRA. In addition, if you are required to take a required minimum distribution (RMD) in the year you convert, you must do so before converting to a Roth IRA. CDs are FDIC insured to specific limits and offer a fixed rate of return if held to maturity, whereas investing in securities is subject to market risk including loss of principal. Bonds are subject to credit, market, and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.